Financial Results for the 3rd Quarter of Fiscal Year Ending March 31, 2022

NS TOOL CO., LTD.

January 31, 2022

(Securities Code: 6157)

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Financial Results Summary for 3Q YTD FY3/22

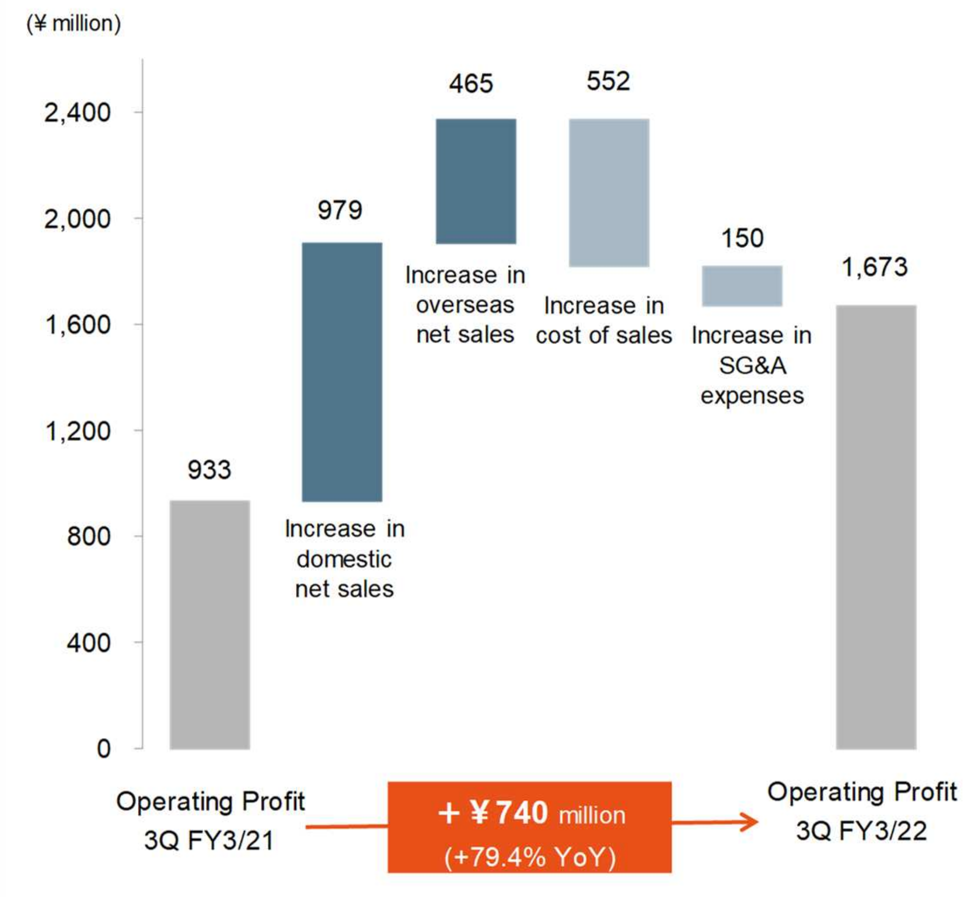
Recovery trend continues

Full-year forecasts revised upward

(Unit: ¥ million)	3Q YTD FY3/21 Actual	3Q YTD FY3/22 Actual	Full-year FY3/22 Forecasts	Progress Rate
Net sales	5,835	7,279	9,520	76.5%
YoY changes	-20.3%	+24.8%	+17.5%	
Operating profit	933	1,673	2,150	77.8%
YoY changes	-49.0%	+79.4%	+42.1%	
Ordinary profit	1,123	1,707	2,190	78.0%
YoY changes	-38.7%	+52.0%	+27.9%	
Profit attributable to owners of parent	760	1,181	1,530	77.2%
YoY changes	-38.0%	+55.4%	+26.0%	

- The recovery trend from the same period of the previous fiscal year, which was affected by the global novel coronavirus disease (COVID-19), continues. In particular, semiconductor industry products are booming, and machinery industry products such as semiconductor manufacturing equipment are also strong. 3Q YTD consolidated net sales were ¥7,279 million, up 24.8% YoY, nearly recovering to the same level as FY3/20 prior to COVID-19.
- Consolidated ordinary profit was ¥1,707 million, up 52.0% YoY.
- Ordinary profit margin was 23.5%, up 4.2pp YoY.
- Progress rate to the revised financial forecasts for FY3/22 announced on January 31, 2022, were 76.5% in net sales and 78.0% in ordinary profit.

Factors for Increase in Operating Profit



- Domestic net sales rose by ¥979 million, up 24.4% YoY, and overseas net sales rose by ¥465 million, up 25.6% YoY, while overall net sales rose by ¥1,444 million, up 24.8% YoY.
- Cost of sales rose by ¥552 million, up 18.8% YoY, which was a lower rate of increase than net sales. Successful efforts to improve production system at manufacturing sites, which the Company has focused on since previous fiscal year, led to a reduction in cost of sales, and the gross profit margin was 51.9%, up 2.4pp YoY.
- While personnel expenses increased by 11.3% YoY due to an increase in provision for bonuses for employees and selling expenses reversed to increase for exhibition costs and advertising expenses, SG&A expenses excluding personnel expenses increased only by 2.9% YoY due to real estate acquisition tax paid in the previous fiscal year. An overall SG&A expenses increased by ¥150 million, up 7.7% YoY.
- As a result, operating profit rose by ¥740 million, up 79.4% YoY, to ¥1,673 million, and operating profit margin was 23.0%, up 7.0pp YoY.

Summary of Statement of Income

(Unit: ¥ million)	3Q YTD FY3/21 Actual	3Q YTD FY3/22 Actual	YoY Changes
Net sales	5,835	7,279	+24.8%
Gross profit	2,889	3,780	+30.8%
Ratio to net sales	49.5%	51.9%	
SG&A expenses	1,956	2,107	+7.7%
Ratio to net sales	33.5%	28.9%	
Operating profit	933	1,673	+79.4%
Ratio to net sales	16.0%	23.0%	
Ordinary profit	1,123	1,707	+52.0%
Ratio to net sales	19.3%	23.5%	
Profit attributable to owners of parent	760	1,181	+55.4%
Ratio to net sales	13.0%	16.2%	
Capital investment	200	287	+43.4%
Depreciation	527	507	-3.8%
No. of employees (persons)	347	352	+1.4%

- Net sales were ¥7,279 million, up 24.8% YoY. While demand for semiconductors and electronic components has stayed robust and the semiconductor manufacturing equipment industry has also been strong, the automotive industry remained sluggish due to stalled semiconductor and parts supply.
- Gross profit was ¥3,780 million, up 30.8% YoY. As a result of cost of sales only increasing by ¥552 million YoY through cost reduction, the gross profit margin was 51.9%, up 2.4pp YoY.
- While SG&A expenses increased by 7.7% YoY due to an increase in both personnel and selling expenses, SG&A expenses ratio was 28.9%, down 4.6pp YoY due to the significant recovery in net sales.
- As a result, operating profit was ¥1,673 million, up 79.4% YoY, and operating profit margin was 23.0%, up 7.0pp YoY.
- Capital expenditures were ¥287 million, up 43.4% YoY. Depreciation declined by 3.8% YoY due to controlled machinery and equipment investment in the previous fiscal year.

Summary of Balance Sheet

(Unit: ¥ million)	FY3/21-End	Composition Ratio	3Q FY3/22-End	Composition Ratio	VS FY3/21-End
(Assets)					
I Current assets	10,895	64.3%	11,575	66.5%	+6.2%
Cash and deposits	7,674	45.3%	8,377	48.1%	+9.2%
Notes and accounts receivable - trade	1,312	7.7%	1,332	7.7%	+1.6%
Inventories	1,758	10.4%	1,781	10.2%	+1.3%
II Non-current assets	6,040	35.7%	5,840	33.5%	-3.3%
Property, plant and equipment	5,477	32.3%	5,271	30.3%	-3.7%
Intangible assets	34	0.2%	34	0.2%	-0.0%
Investments and other assets	529	3.1%	533	3.1%	+0.9%
Total assets	16,936	100.0%	17,415	100.0%	+2.8%
(Liabilities)					
I Current liabilities	1,385	8.2%	1,270	7.3%	-8.3%
Accounts payable - trade	220	1.3%	249	1.4%	+13.0%
II Non-current liabilities	224	1.3%	224	1.3%	–
Total liabilities	1,609	9.5%	1,495	8.6%	-7.1%
(Net assets)					
Total equity	15,142	89.4%	15,704	90.2%	+3.7%
Total net assets	15,326	90.5%	15,919	91.4%	+3.9%
Total liabilities and net assets	16,936	100.0%	17,415	100.0%	+2.8%

Current assets

Increased by 6.2% from the end of the previous fiscal year as a result of the increase in cash and deposits due to the earnings recovery.

Non-current assets

Decreased by 3.3% from the end of the previous fiscal year because lack of major capital expenditures led to an excess of depreciation over capital expenditures.

Liabilities

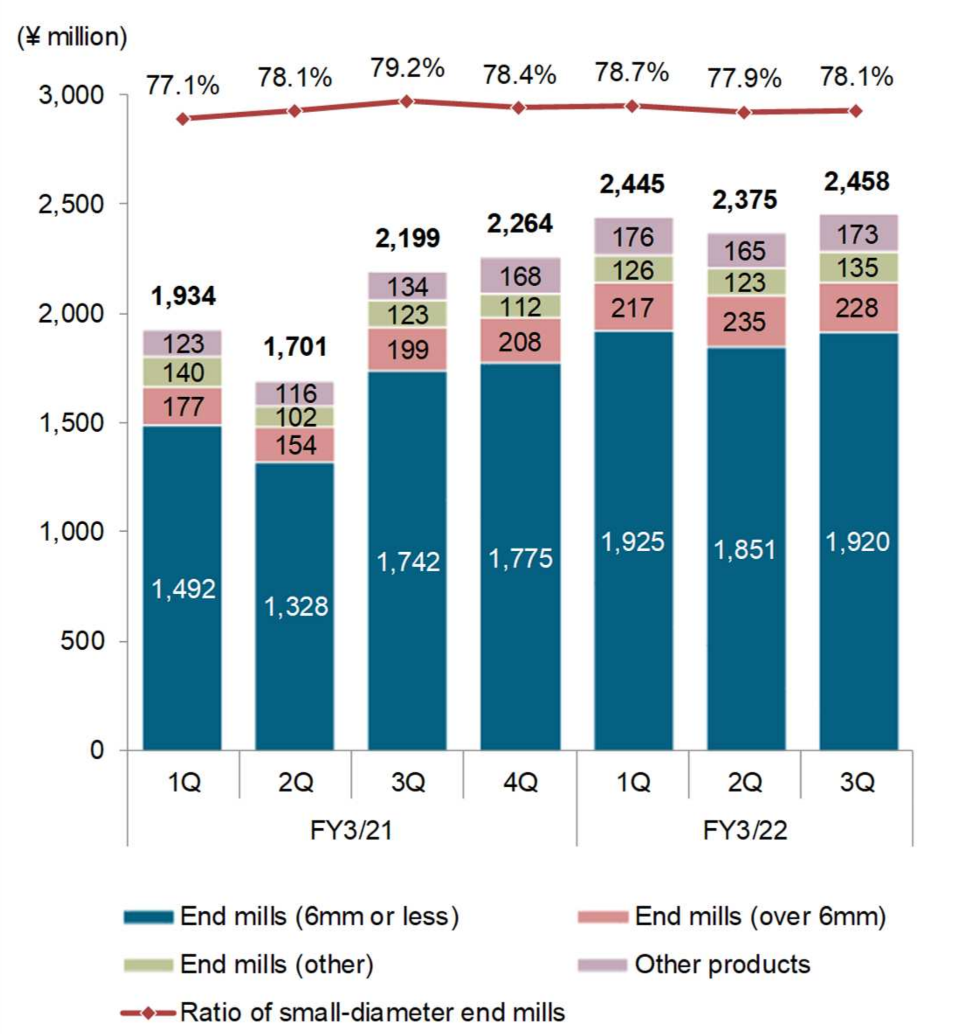
Decreased by 7.1% from the end of the previous fiscal year due to an increase in income taxes payable and a decrease in provision for bonuses for employees.

Net assets

Increased by 3.9% from the end of the previous fiscal year due to the increase in retained earnings. The equity-to-asset ratio was 90.2%, up 0.8pp from the end of the previous fiscal year.

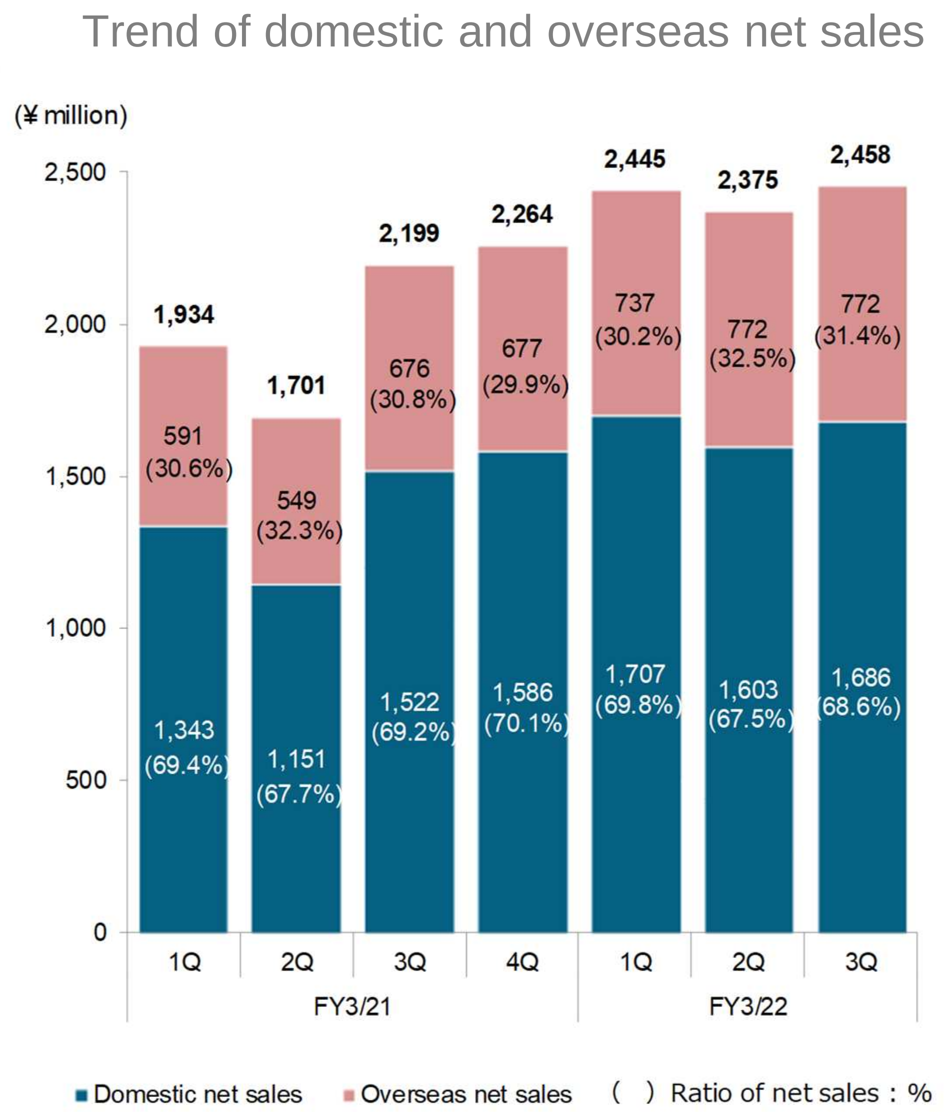
Business Performance (Trend of net sales (1) By product)

Trend of net sales by product and ratio of small-diameter end mills



- Demand for electronic components and semiconductor-industry remained robust due to continuous demand for IT equipment and industrial machinery, and net sales related to semiconductor manufacturing equipment also maintained strong performance. At the same time, automotive companies were forced to cut production due to shortages of semiconductors and parts. As a result, net sales for 3Q were ¥2,458 million, up 11.8% YoY and up 3.5% QoQ.
- By product, net sales for mainstay end mills (diameter 6mm or less) rose by 10.3% YoY, end mills (diameter over 6mm) rose by 14.8% YoY, and end mills (other), mainly special products custom-made to users, increased by 9.7% YoY. Other products such as tool cases also increased by 29.0% YoY. Since there was larger growth in tools other than small-diameter end mills, the ratio of small-diameter end mills declined by 1.1pp YoY to 78.1%.

Business Performance (Trend of net sales (2) Domestic and overseas)

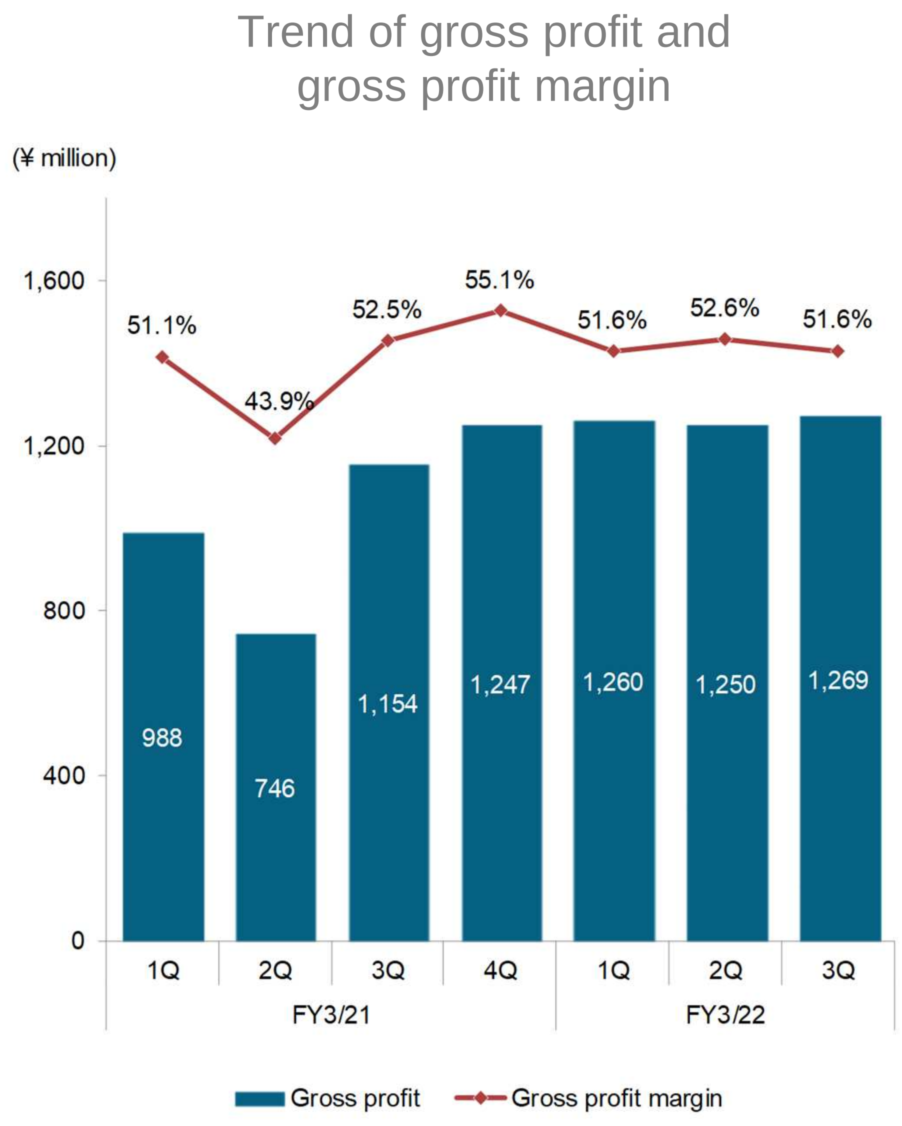


- Domestic net sales were ¥1,686 million, an increase of ¥163 million (10.7%) YoY, and overseas net sales were ¥772 million, an increase of ¥95 million (14.1%) YoY. The recovery trend since 2H of the previous fiscal year continued.
- Although recovery patterns from COVID-19 varied depending on regions, overall overseas net sales continued to recover gradually, leveling off from the previous quarter, and the overseas net sales ratio fell 1.1pp QoQ to 31.4%.
- The overseas net sales ratio was less than 20% a decade ago and in lower twenties five years ago, however it reached 34.3%, topping 30%, during the July-September period of 2019 due to increased sales to China and has remained around 30% since then.

Business Performance (Trend of net sales (3) By overseas region)

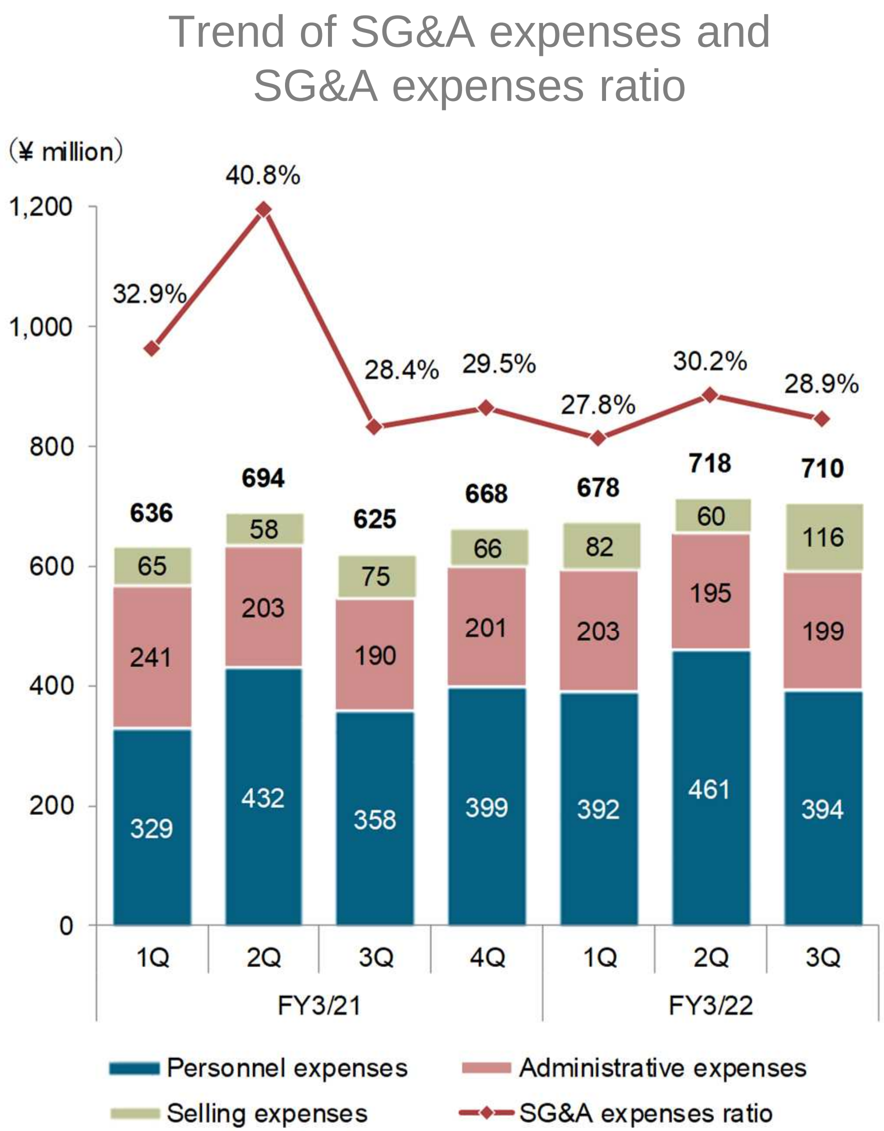
- Combined net sales of China, Hong Kong and Taiwan increased by 12.3% YoY to ¥339 million. In account consolidation of NS TOOL Hong Kong Ltd. into 3Q results, figures for July-September are combined. Although the recovery from the impact of COVID-19 was positive YoY, net sales decreased by 10.9% QoQ, which showed strong result due to a boost in demand for smartphones.
- Other Asia net sales also increased with plant utilization rates of local users improving, increasing by 23.8% YoY to ¥204 million.
- Although the recovery in automobile industry products in Europe lagged, demand from some high value-added parts manufacturers grew, rising by 5.5% YoY to ¥180 million, and remained firm, up 15.9% QoQ.
- The U.S. and Others increased by 25.1% YoY to ¥47 million, helped by the increase in medical care industry orders. The expansion of sales is aimed through the newly established U.S. subsidiary.

Business Performance (Trend of gross profit)



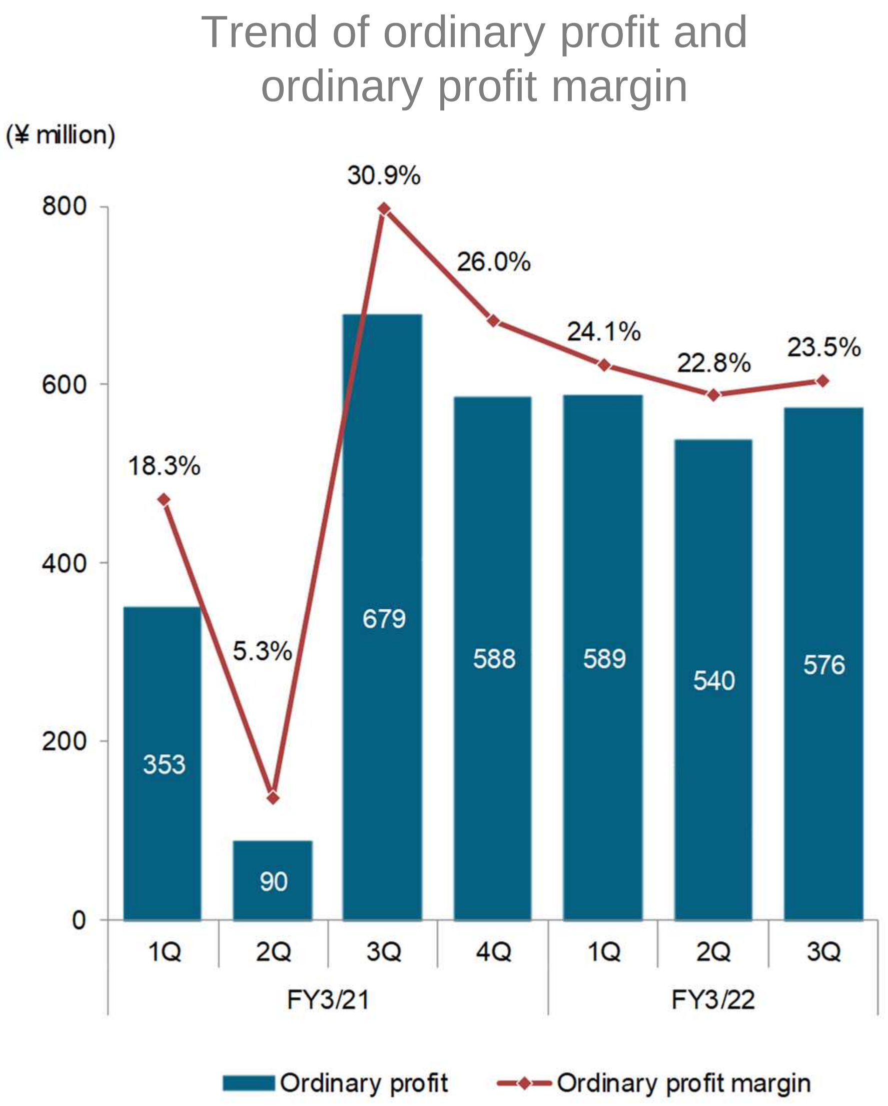
- As production volume increased due to the recovery in net sales, materials cost as well as outsourcing expenses, increased significantly, rising by 34.3% YoY and 84.9% YoY, respectively. Labor costs and manufacturing expenses also increased by 13.4% YoY and 24.3% YoY, respectively, successfully holding down the increase even as production volumes increased.
- Although manufacturing costs were held down due to the success of cost reduction at manufacturing sites continued from the previous fiscal year, gross profit increased only by 10.0% YoY to ¥1,269 million, due to the influence of inventory valuation and product mix, and the gross profit margin declined by 0.9pp to 51.6%.

Business Performance (Trend of SG&A expenses)

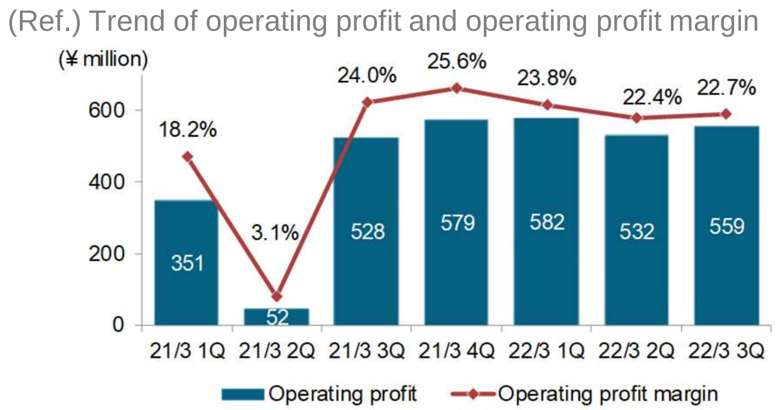


- Selling expenses increased by 53.9% YoY to ¥116 million due to the increased exhibition costs and advertising expenses due to participation in exhibitions and the production of general catalogue, in addition to the slight increase in operating expenses due to the easing of restrictions on activities.
- Personnel expenses rose by 9.8% YoY to ¥394 million due to the increase in provision for bonuses for employees in response to the recovery in performance.
- Overall SG&A expenses increased 13.6% YoY to ¥710 million, exceeding the rate of increase in net sales, so SG&A expenses ratio rose 0.5pp YoY to 28.9%.

Business Performance (Trend of ordinary profit)



- While operating profit increased by ¥559 million, up 5.7% YoY, subsequent to the increase in net sales, the operating profit margin decreased by 1.3pp due to the increase in SG&A expenses.
- In terms of non-operating income and expenses, despite subsidy income such as corporate location incentives of ¥19 million, ordinary profit decreased by 15.1% YoY to ¥576 million due to previous fiscal year's large non-operating income such as employment adjustment subsidies and gain on surrender value of life insurance policies, etc.
- Ordinary profit margin declined by 7.4pp YoY to 23.5%, increased by 0.7pp QoQ due to the increase in subsidy income.



Consolidated Financial Forecasts for FY3/22

Financial Forecasts

(Unit: ¥ million)	FY3/21 Actual	FY3/22 Forecasts	YoY Changes
Net sales	8,100	9,520	+17.5%
Operating profit	1,512	2,150	+42.1%
Ordinary profit	1,712	2,190	+27.9%
Profit attributable to owners of parent	1,214	1,530	+26.0%

Capital investment	462	589	+27.6%
Depreciation	707	713	+0.9%
EPS (¥)	48.55	61.18	+26.0%
Dividend per share (¥)	17.50	22.50	+28.6%

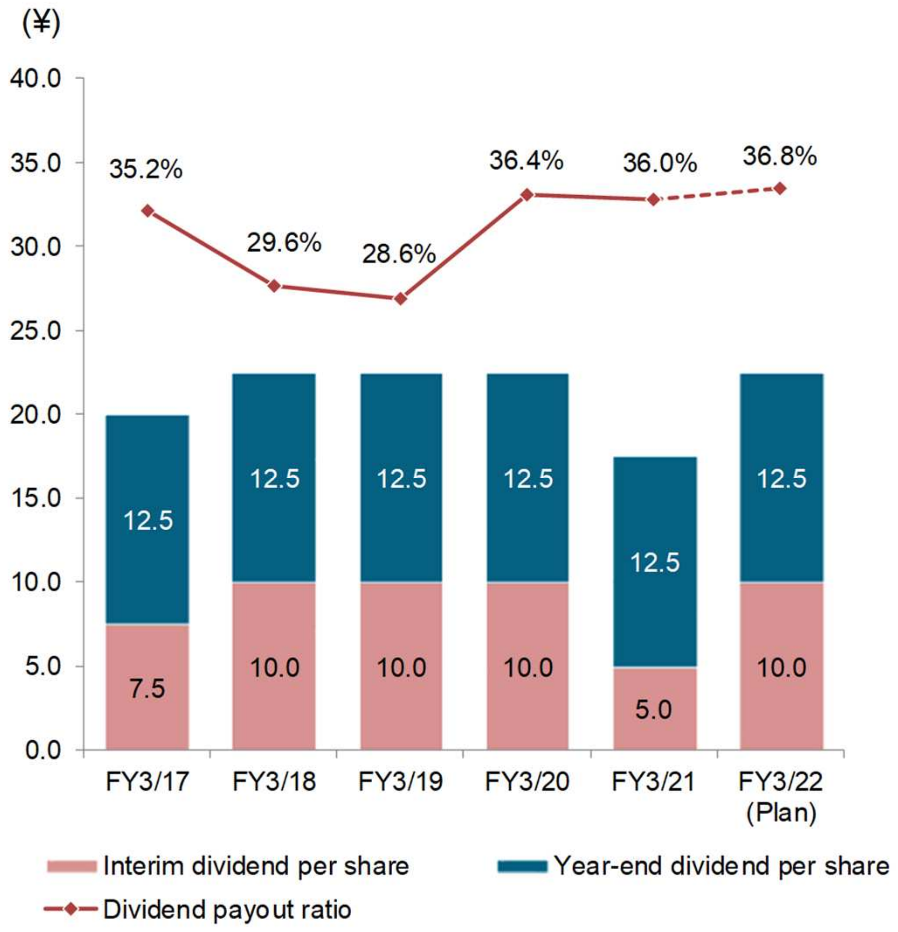
*The impact of the stock split on April 1, 2021 was considered.

- As production activities resumed, financial results recovered beyond forecasts. Although there are many uncertain factors going forward, such as the resurgence of COVID-19, the impact of semiconductor and component shortages on production activities in general , and price competition for certain product categories in the industry, etc., demand for tools is expected to remain firm.
- Full-year FY3/22 forecasts are for net sales ¥9,520 million, up 17.5% YoY, operating profit ¥2,150 million, up 42.1% YoY, and ordinary profit ¥2,190 million, up 27.9% YoY.
- Capital expenditures are mainly focused on machinery and equipment to improve product quality and productivity. Capital expenditures were restrained in FY3/21 due to production cuts, however they are expected to return to the level in normal years in FY3/22.
- Annual dividends per share are planned to be ¥12.5. For the full year, the Company is hiking the annual dividend from ¥17.5 in the previous fiscal year to ¥22.5, including an interim dividend of ¥10.0.

2H FY3/22 Forecasts and Progress Rate

(Unit: ¥ million)	FY3/22								
	2H					Full-year			
	2H Forecasts	Ratio to net sales	3Q Actual	Ratio to net sales	2H Progress Rate	Full-year Forecasts	Ratio to net sales	3Q YTD Actual	Full-year Progress Rate
Net sales	4,698	–	2,458	–	52.3%	9,520	–	7,279	76.5%
YoY Changes	+5.2%		+11.8%			+17.5%		+24.8%	
Operating profit	1,035	22.0%	559	22.7%	54.0%	2,150	22.6%	1,673	77.8%
YoY Changes	-6.6%		+5.7%			+42.1%		+79.4%	
Ordinary profit	1,059	22.5%	576	23.5%	54.4%	2,190	23.0%	1,707	78.0%
YoY Changes	-16.5%		-15.1%			+27.9%		+52.0%	
Profit attributable to owners of parent	759	16.2%	410	16.7%	54.1%	1,530	16.1%	1,181	77.2%
YoY Changes	-19.2%		-15.4%			+26.0%		+55.4%	

Dividend Forecasts (Shareholder returns)



*The impact of the stock split on January 1, 2017, and April 1, 2021, was considered.

We take holistic approach by evaluating business performance and dividend payout ratio, while paying attention to stability and sustainability of shareholders return

- Annual dividend per share for FY3/21 was ¥17.5.
  Interim dividend: ¥5.0, Year-end dividend: ¥12.5
  Dividend payout ratio: 36.0%
  *The impact of the 2-for-1 stock split on April 1, 2021, was considered.

- Annual dividend per share for FY3/22 is planned to be ¥22.5.
  Interim dividend: ¥10.0, Year-end dividend: ¥12.5
  Dividend payout ratio for the financial forecasts: 36.8%

- Shareholders' benefits
  An original QUO card, worth ¥1,000, is presented to every shareholder who holds one share unit (100 shares) or more and whose name is registered in the shareholder list as of March 31 of each year.

  An additional ¥1,000 card is presented to shareholders who hold the shares for three years or more.

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Note: The descriptions concerning the future and projections are based on targets and forecasts, and do not constitute an assurance or guarantee. Please note that the results may differ from the projections.